



manitoba data services

**1982-83
ANNUAL REPORT**

**manitoba
data
services**

10th Floor, 215 Garry Street
Winnipeg, Manitoba
R3C 3P3

**ANNUAL
REPORT**

*For the year ended
March 31, 1983*



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**HIGHLIGHTS OF
THE REPORT**

OPERATIONAL

- Service rates reduced 5%
- Installation of 3081 central processing unit
- Announcement of productivity improvement products for client use

FINANCIAL

- | | |
|----------------------|--------------|
| • Total revenues | \$15,715,000 |
| • Total expenditures | \$14,953,000 |
| • Net income | \$ 762,000 |

OUTLOOK FOR COMING YEAR

- Additional productivity improvement products
- Further expansion of computing capacity
- Retirement of accumulated deficit

Winnipeg

September 30, 1983

Honourable V. Schroeder
Minister Responsible for
Manitoba Data Services

Dear Sir

In accordance with the Manitoba Data Services Act, I am pleased to present the Annual Report for Manitoba Data Services for the year ended March 31, 1983.



G. MacLean
Chairman of the Board
Manitoba Data Services

**THE HONOURABLE
V. SCHROEDER**
Minister Responsible for
Manitoba Data Services

**BOARD OF
COMMISSIONERS**

G. MACLEAN
Chairman
S.G. ANDERSON
M.S. DOYLE
K.E. EDSTROM
R.M. FRASER
R.P. GANNON

**EXECUTIVE
OFFICERS**

C.J. CHALMERS
General Manager
J. JONES
Director,
Client Support Services
D.J. PLUNKETT
Director,
Corporate Services
N.H. SHAKESPEARE
Director,
Operations Support Services



GENERAL MANAGER'S REPORT

Results for the year ended March 31, 1983 demonstrate continued growth and a strengthened financial position for Manitoba Data Services. As a consequence, Manitoba Data Services was able to continue to achieve its two major financial objectives. These entail the continued reduction of the accumulated deficit and a further lowering of the processing rates charged to clients of the Commission.

On revenues of \$15,715,000 Manitoba Data Services realized net income of \$762,000. As a result, the accumulated deficit which stood at \$1,132,000 at the start of the year was reduced to \$370,000 by year end. As projected in last year's report, the remaining accumulated deficit is expected to be retired during the 1983/84 fiscal year.

As a result of Manitoba Data Services strong financial position and positive long term outlook, the Board of Commissioners approved a further 5% reduction in service rates effective April 1, 1982. The compounding effect of this reduction, when coupled with a 10% decrease instituted in the previous fiscal year, means that clients are now paying approximately 20% less for a comparable volume of computing over what they would have paid in 1981.

Despite its aggressive program of rate reduction, Manitoba Data Services realized a 6.5% increase in total revenues over the previous year. Real demand for service, based on resource utilization, has grown by approximately 25% over the previous year. This increasing demand for service required that additional computing capacity be installed during the year. In September 1982 an IBM 3081 processor was added to the existing plant comprised of two IBM 3033 processors. This additional capacity enabled Manitoba Data Services to continue to meet its service and performance commit-

ments. As reported last year, Manitoba Data Services has consistently met or exceeded industry standards for service availability and responsiveness. 1983 results saw further improvements in both of these categories.

An increasingly important focus of Manitoba Data Services has been towards the development of products which will facilitate productivity improvement for its clients. To address this objective, several new products were announced during the year, and a number of additional products will be announced shortly.

Manitoba Data Services has made the product STAIRS available to facilitate the storage and retrieval of textual data. This product improves accessibility to information and can result in the realization of both time and cost savings in searching and retrieval of computerized data. IFPS is another product which has received strong early interest from Manitoba Data Services' clients and is scheduled for introduction early in the next fiscal year. This system provides advanced financial modelling and sensitivity analysis through an online interactive mode of operation.

In order to assist clients in the development of new applications, Manitoba Data Services has also installed ADF to aid in the development and maintenance of online computer applications. This system enables the predefinition of display screen formats and provides an advanced framework for application development thereby increasing programmer productivity and consequently shortening the time it takes to implement new systems. PRO/grammar, a second, similar product, will be introduced shortly. It facilitates the development of new applications by significantly increasing the volume of operational computer code that can be generated by a computer pro-

grammer in a fixed period of time compared to what could have been achieved using conventional methods.

A statistical analysis product SAS has also been made available during the past year. This system incorporates advanced statistical capabilities to enhance the capability of clients to develop analytical reporting systems. Also, a new, easier-to-use product, PANAUDIT, has been acquired to facilitate auditing of computer systems resident on Manitoba Data Services' facilities.

As an aid to its clients' ongoing requirement to improve technical skill levels of their employees, Manitoba Data Services introduced a computer-based training system, called IIS, which allows clients to undertake the training of their staff in their own offices using video display terminals. As a result, the expense and constraint on course availability associated with traditional instructional methods are now often able to be avoided. To date, a number of technical courses have been made available through this new facility and new courses will be added over the next several years to facilitate this ongoing requirement for client educational support.

In the latter part of the year a number of changes were instituted in the membership of the Board of Commissioners of Manitoba Data Services. With the expiration of their term, both Mr. Malcolm Anderson and Mr. Boris Hryhorczuk stepped down after three years of active and productive support to Manitoba Data Services. The participation on the Manitoba Data Services Board by both of these individuals has been of significant benefit to the Corporation. New appointments to the Board include Mr. Gordon MacLean, Mr. Glover Anderson and Mr. Murray Fraser. Both Mr. Anderson and Mr. Fraser were previously members of



The processor controller is a major component of the IBM 3081 central processing unit.

the Board Committee at the time of the formation of Manitoba Data Services in 1975.

The strong growth in the use of Manitoba Data Services' products and services during the year is a demonstration of the support and confidence that the Corporation continues to receive from clients. To a very large extent this is a direct reflection of the continued dedication and competence exhibited by Manitoba Data Services' staff in the conduct of the essential day-to-day operation and administration of the business, and to the ongoing direct assistance and support which they regularly provide to clients.

The outlook is for a continued strong growth of Manitoba Data Services in support of client data processing service requirements. Enhancing the capability of clients to realize productivity gains and operating economies through the application of computer technology will continue to be a primary objective of Manitoba Data Services.

G. Chalmer.



MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MANITOBA DATA SERVICES
REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the balance sheet of Manitoba Data Services as at March 31, 1983 and the statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Manitoba Data Services as at March 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with the basis of accounting described in Note 1 applied on a basis consistent with that of the preceding year.

The accounts for the year ended March 31, 1982 were examined and reported on by other auditors.

W.K. Ziprick, C.A.,
Provincial Auditor

June 7, 1983.
Winnipeg, Manitoba.

MANITOBA DATA SERVICES BALANCE SHEET ASSETS

CURRENT ASSETS

	March 31	
	1983	1982
	(Thousands of Dollars)	
Cash	\$ 645	\$ 392
Accounts receivable (Note 5)	5,161	2,379
Prepaid expenses	60	36
Investment with Province of Manitoba	3,000	4,050
	<u>8,866</u>	<u>6,857</u>
NET INVESTMENT IN LEASE (Note 2)	476	613

FIXED ASSETS — at cost

Leasehold improvements	734	1,108
Computer equipment	9,452	9,735
Capital Lease (Note 2)	3,216	3,216
Furniture and fixtures	355	405
	<u>13,757</u>	<u>14,464</u>
Less accumulated depreciation	8,877	7,589
	<u>4,880</u>	<u>6,875</u>

OTHER ASSETS — at cost

Proprietary software	657	1,400
Deferred expenses	941	942
	<u>1,598</u>	<u>2,342</u>
Less accumulated amortization	954	1,576
	<u>644</u>	<u>766</u>
Total Assets	<u>\$14,866</u>	<u>\$15,111</u>

LIABILITIES AND ACCUMULATED DEFICIT

CURRENT LIABILITIES

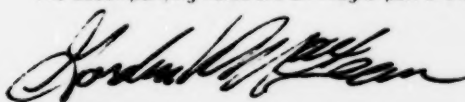
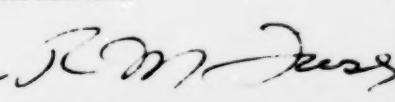
	March 31	
	1983	1982
	(Thousands of Dollars)	
Accounts payable (Note 5)	\$ 1,971	\$ 398
Current Portion of Long-Term Lease Obligations	1,187	1,731
Current Portion of Advances from Province of Manitoba (Note 3)	934	849
	<u>4,092</u>	<u>2,978</u>

LONG-TERM LIABILITIES

Lease obligations (Note 4)	1,400	2,587
Advances from Province of Manitoba (Note 3)	9,744	10,678
	<u>11,144</u>	<u>13,265</u>

ACCUMULATED DEFICIT	(370)	(1,132)
Total Liabilities	<u>\$14,866</u>	<u>\$15,111</u>

The accompanying notes are an integral part of these statements.

G. MacLean
Chairman

R.M. Fraser
Board Member

NOTES TO FINANCIAL STATEMENTS

March 31, 1983

1 SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for the accounting for pension costs as set out in the following paragraph.

In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Corporation contributes 50% of the pension disbursement made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation fund. On the basis of an actuarial report, the unfunded liability for the Corporation's employees amounted to \$1,220,000 as at December 31, 1982.

b. DEPRECIATION AND AMORTIZATION

Depreciation and amortization are calculated using the straight line method based on the estimated useful lives of the assets, which are:

Computer equipment	—	3 to 6 years
Furniture and fixtures	—	5 to 10 years
Leasehold improvements	—	3 to 5 years
Proprietary software	—	3 to 5 years

c. DEFERRED EXPENSES

Deferred expenses include the costs incurred in integrating the data processing of new clients and are amortized to operations on a straight line basis over five years.

d. LEASE OBLIGATIONS

Assets which are acquired by way of long-term leases which are financing in nature are capitalized at fair market value.

and are included in fixed assets in the financial statements. Lease obligations represent the capital portion of future lease payments less the current portion of the leases payable which is included in accounts payable. The amounts included in fixed assets in respect of leased assets are \$7,837,000 cost and \$5,301,000 accumulated depreciation. The lease agreements expire between 1983 and 1986 and bear interest rates ranging from 12% to 17%. With the exception of the lease referenced in Note 2 at the end of the lease periods Manitoba Data Services will own the equipment.

e. REVENUE RECOGNITION

Revenue is recognized on the following basis:

- 1) Data processing services — as the services are provided
- 2) Systems development — by applying the percentage of completion of the contract at the fiscal year end to the total fee for the contract

2. NET INVESTMENT IN LEASE AND CAPITAL LEASE

In November 1980, Manitoba Data Services entered into an agreement for the lease of an IBM 3033 processor from Comdisco Canada Limited and the lease to Comdisco Canada Limited of an IBM 370/168 processor both for a period of five years at a net monthly rental of \$59,750. As a result of this transaction the imputed value of the 370/168 was determined to be \$769,273 and the unamortized balance as of March 31, 1983 is \$476,000. The 3033 processor has been recorded as a capital lease at the fair market value including provincial sales tax at the time of acquisition.

3. ADVANCES FROM THE PROVINCE OF MANITOBA

At March 31, 1983, Manitoba Data Services advances from the Province of Manitoba were \$10,678,000 including the current portion of \$934,000. The debt is in Canadian funds and

MANITOBA DATA SERVICES STATEMENT OF OPERATIONS

For Year Ended March 31

	1983	1982
	(Thousands of Dollars)	
REVENUES		
Operating —		
Data processing services	\$14,894	\$14,030
Systems development	193	214
Miscellaneous	574	503
Operating revenues	15,661	14,747
Gain on sale of equipment	54	2
	<u>15,715</u>	<u>14,749</u>
EXPENSES		
Salaries and administration	6,696	5,665
Computer equipment and software rental and maintenance	3,760	2,549
Depreciation and amortization	3,505	3,555
Interest —		
Province of Manitoba (Note 3)	1,153	1,230
Other, net of investment income	(161)	9
	<u>14,953</u>	<u>13,008</u>
NET INCOME FOR THE YEAR	\$ 762	\$ 1,741

STATEMENT OF RETAINED EARNINGS

Accumulated Deficit At Beginning Of Year	\$ 1,132	\$ 2,873
Net income For The Year	<u>762</u>	<u>1,741</u>
Accumulated Deficit At End Of Year	<u>\$ 370</u>	<u>\$ 1,132</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

For Year Ended March 31

	1983	1982
	(Thousands of Dollars)	
SOURCES OF FUNDS		
From operations including charges which do not involve any outlay of funds	\$ 4,216	\$ 5,287
Sale of computer equipment	324	81
Total sources of funds	<u>\$ 4,540</u>	<u>\$ 5,368</u>
USES OF FUNDS		
Acquisition of computer equipment and proprietary software	\$ 1,620	\$ 334
Furniture, fixtures and leasehold improvements	42	57
Long-term lease payments	1,050	1,612
Repayment of loan to Province of Manitoba ...	934	849
Increase in working capital	894	2,516
Total uses of funds	<u>\$ 4,540</u>	<u>\$ 5,368</u>

The accompanying notes are an integral part of these statements.

HISTORICAL COMPARISON OF REVENUE & EXPENSE



bears interest at 10% payable at the rate of \$2,001,629 per annum including principal and interest from 1984, through 1991

4. COMMITMENTS

Commitments at March 31, 1983, relating principally to non-capitalized equipment leases, amount to \$5.6 million, of which approximately \$5,542,000 is payable in fiscal 1984

The commitment in respect of long-term leases that have been capitalized (not included in the above mentioned commitment) is

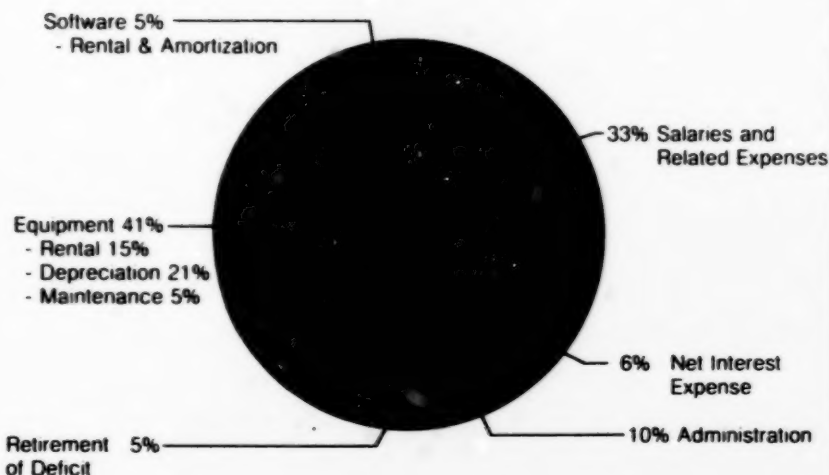
	Capital	Interest	Total
	(Thousands of Dollars)		
1984	\$1,187	\$ 328	\$1,515
1985	783	184	967
1986	617	42	659
	\$2,587	\$ 554	\$3,141

5. During 1982/83, the Province of Manitoba established a policy that Manitoba Data Services be a procuring agent for all data processing equipment on behalf of government departments. Included in accounts receivable and accounts payable at March 31, 1983 is \$2,216,000 and \$1,414,000 respectively related to these acquisitions

6. RELATED-PARTY TRANSACTIONS

Substantially all of the revenue earned by Manitoba Data Services and the related receivables are from departments of the Manitoba Government, its crown corporations and agencies

ALLOCATION OF REVENUE TO EXPENSES



MANITOBA DATA SERVICES IN REVIEW

Manitoba Data Services concentrated much of its effort in 1982/83 on enhancing established product lines and delivery of service.

The MDS INFOCENTRE was established originally to address non-data processing managers and professionals requirements for access to end-user computer products and information. The interest in and use of this service by clients was very encouraging and underlined the need for expansion of the services in this fiscal year. Physical facilities were enlarged, permanent staff was assigned and a Help Desk was established with phone-in facilities. Support was expanded to offer consultation, education, problem-resolution assistance and product demonstrations. Products were made available through the MDS INFOCENTRE and all products were categorized to make their intended use more relevant to clients.

Education continued to be an important endeavor at MDS. The standard classroom course schedule for clients expanded to encompass courses on new software products being introduced at MDS during the year. As well, special vendor delivered courses were offered on selected new products to provide more specific and detailed information that would enable faster start-up and more productive initial use of products by clients. MDS was also involved, on a shared basis, with other data processing installations in the community, in sponsoring specific vendor courses into Winnipeg that would have otherwise been cost prohibitive.

MDS staff training is also a key aspect of MDS' overall education objectives. Skills have to be constantly upgraded to ensure the ongoing ability to support the installation and address clients'

needs. Towards this end, MDS expanded its Deltak video based training for staff and provided additional classroom courses pertinent to staff needs.

Rate decreases were announced April 1, 1982 and included reduced charges for monthly online disk contracts, mass storage opens and transfers and improved volume usage discounts. Charges for labor intensive functions were increased slightly effective June 1, 1982. Later in the year, the charging basis for disk workspace and online disk was changed to megabytes/hour and megabytes/day respectively, to achieve a more logical, device independent charging basis.

To improve client understanding of the MDS batch billing process and output documents, a presentation on the system was developed during 1982. This was presented to clients in the fall of 1982 and was very favorably received. In addition, MDS instituted a project to evaluate the batch billing process with the objective of instituting a new billing methodology. Client participation in this project has been a key factor and the present expectation is to have a new approach to the batch billing system ready for introduction in 1984.

The 3800 page printing system announced last year was further enhanced this year with the availability of a 90° print program and a variety of new character sets. This program enables data to be rotated 90° before printing, to produce more conventional output on 8½" wide paper.

Two major computer equipment upgrades were undertaken in 1982/83. An IBM 3081G central processing unit was installed in October 1982 to increase the net MDS computing capacity. At the same time, a phased approach was

undertaken to replace all IBM 3350 data storage devices with IBM 3380's. This was necessary to meet increasing user storage requirements as well as to take advantage of new technology for improved performance and reliability. This activity will extend well into 1983.

As mentioned in the General Manager's report a number of new products were introduced that are directional and supportive of identified client needs. A joint MDS, and client product committee formed in 1980 continues to play an important role in the areas of product planning, evaluation and implementation.

Planning for the coming year includes installation of further MVS system product extensions, to ensure MDS' continuing ability to accommodate future system changes. These will be necessary to meet the long term needs of the client base. Accent will also be placed on being responsive to client needs for productivity improvements through providing suitable products for both data processing and end-user client personnel.



The System Control Area is manned 24 hours a day to ensure the ongoing operating capability of MDS.



The MDS INFO CENTRE provides consultation, education, problem resolution assistance and physical facilities to address Manager's and Professional's requirements for access to end-user computer products and information.

POOR

QUALITY

ORIGINAL